



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-2-2017**  
**January 4, 2017**

## Examination Cycle

### Joint Final Rules on Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks

**Summary:** The FDIC and the other federal financial institution regulatory agencies have adopted final rules permitting insured depository institutions (IDIs) with up to \$1 billion in total assets, and that meet certain other criteria, to qualify for an 18-month on-site examination cycle. These rules allow the agencies to better focus supervisory resources on IDIs that present capital, managerial, or other issues of supervisory concern while reducing regulatory burden on small, well-capitalized and well-managed institutions.

**Statement of Applicability to Institutions with Total Assets Under \$1 Billion:** This Financial Institution Letter applies to FDIC-supervised financial institutions with total assets up to \$1 billion.

#### **Suggested Distribution:**

FDIC-Supervised Banks (Commercial and Savings)

#### **Suggested Routing:**

Chief Executive Officer  
Compliance Officer

#### **Related Topics:**

[12 CFR Part 337 – Unsafe and Unsound Banking Practices](#)  
[12 CFR Part 347 - International Banking](#)

#### **Attachment:**

Final Rule – Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks  
(See [81 FR 90949](#), December 16, 2016)

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#### **Note:**

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#### **Highlights:**

- The FDIC and the other federal financial institution regulatory agencies adopted as final the interim final rules (IFR) issued on February 29, 2016, that implemented Section 83001 of the *Fixing America's Surface Transportation Act* (FAST Act).
- Under the final rules, which are identical to the IFR, an IDI with total assets below \$1 billion and that meets other qualifying criteria may qualify for an 18-month on-site safety- and-soundness examination cycle.
- As authorized by the FAST Act, the agencies have determined that it is consistent with safety-and-soundness principles to permit institutions falling within this expanded total asset threshold, that received a CAMELS composite rating of "1" or "2," and that meet certain other criteria, to qualify for an 18-month on-site examination cycle.
- Other qualifying criteria include being well-capitalized, well-managed, not having undergone any change in control during the previous 12-month period, and not being subject to a formal enforcement proceeding or order.
- The expanded 18-month examination cycle also applies to qualifying U.S. branches or agencies of a foreign bank.
- In all cases, the agencies reserve the right to examine more frequently if they deem necessary.
- The FDIC is integrating its rules on frequency of safety-and-soundness examinations for state savings associations and state nonmember banks by rescinding and removing a transferred Office of Thrift Supervision regulation, 12 CFR 390.351, *Frequency of Safety and Soundness Examinations*.
- This FIL rescinds and replaces FIL-90-2007 issued under the same name and FIL-17-2016 issued to announce the IFR.